



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 11/26/2007

**GAIN Report Number:** JA7067

## Japan

## Dairy and Products

## Annual Report

## 2007

**Approved by:**

Paul Spencer, Senior Agricultural Attaché  
U.S. Embassy

**Prepared by:**

Kakuyu Obara, Agricultural Specialist

---

**Report Highlights:**

Japan's use of fluid milk for processing in 2008 is projected to increase by 2% to 3.465 million MT. Beverage milk consumption is projected down by 1% to 4.485 million MT. Japan's current dairy access commitment for Japan Fiscal Year (April-March) (JFY) 2008 will likely be used mainly to import butter. Due to increased investment, Japan's domestic cheese production is expected to grow by 15% in 2008.

---

Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Annual Report  
Tokyo [JA1]  
[JA]

**Table of Contents**

<b>2008 Outlook for Fluid Milk, NFDM, Butter and Cheese .....</b>	<b>3</b>
Processing demand for Fluid Milk to Grow in 2008.....	3
Tight Butter Supply to Continue in 2008 .....	3
Substantial Increase of Domestic Natural Cheese Production Forecast in 2008.....	3
<b>2007 Situation Summary and Outlook for Fluid Milk, NFDM, Butter and Cheese .....</b>	<b>3</b>
Lower National Fluid Milk Production Forecast for 2007 .....	4
Solid Demand for Butter Causes the Volume Safeguard to Trigger.....	4
Japan's Cheese Demand to Stay Firm in 2007 .....	4
Table 1. Japanese Household Consumption of Dairy Commodities.....	4
Table 2. Japanese Utilization of Fluid Milk for Drinking Use Category .....	5
Table 3. Japanese Production of Processed Milk Products.....	5
Table 4. Monthly Wholesale Price of Butter and Non Fat Dry Milk .....	5
Table 5. Japanese Cheese Imports (Jan. – Sept.) .....	6
Table 6. Japanese Import Price of Cheese 2007 (Jan. – Sept.).....	6
<b>Fluid Milk PS&amp;D Table .....</b>	<b>8</b>
<b>Non-Fat Dry Milk PS&amp;D Table .....</b>	<b>9</b>
<b>Butter PS&amp;D Table .....</b>	<b>10</b>
<b>Cheese PS&amp;D Table .....</b>	<b>11</b>

## 2008 Outlook for Fluid Milk, NFDM, Butter and Cheese

### Processing demand for Fluid Milk to Grow in 2008

In 2008, processing demand for milk to manufacture domestic cheese and butter is expected to grow. Beverage milk consumption by consumers is expected to remain weak but, overall, there is a higher domestic price outlook for fluid milk, which should help to partially offset the impact of high feed prices. This will in turn give incentives to dairy producers to build their herds.

Longer-term, Japan's fluid milk output is anticipated to bounce back over next couple of years. For 2008, post projects a slightly higher national fluid milk output, up 0.5% to 8.03 million MT.

Japan's use of fluid milk for processing in 2008 is projected to increase by 2% to 3.465 million MT. Beverage milk consumption is projected down by 1% to 4.485 million MT.

### Tight Butter Supply to Continue in 2008

Tight butter supplies are expected to ease somewhat during 2008 as more fluid milk for processing becomes available. 2008 domestic production of butter is projected to increase, up 3% to 80,000 MT. Production of NFDM is expected to be 180,000 MT for NFDM. However, in order to meet Japan's annual demand for butter, estimated at 89,000 MT, Japan's current dairy access commitment for Japan Fiscal Year (April-March) (JFY) 2008 will likely be used mainly to import butter.

Despite the above, 2008 year ending butter stocks should still remain tight at and estimated 20,000 MT. Surplus NFDM stocks, due to reduced domestic production, were depleted in 2007 and 2008 year ending stocks are expected to hold remain steady at an estimated 60,000 MT. Japan's imports of NFDM are estimated to remain unchanged from last year at 32,000MT.

### Substantial Increase of Domestic Natural Cheese Production Forecast in 2008

Japanese demand for cheese has been steadily growing over the past decade to 270,000 MT level (on total supply basis in CY 2007), with the imported cheeses garnering 85% of the total. As touched upon in [JA 7038](#), Japan's build up of domestic natural cheese production capacity is expected to generate substantial demand for processing milk. Over the next several years, domestic cheese production is expected to expand to 70,000 MT – 80,000 MT a year as these new factories. For 2008 production, post is projecting 47,000 MT, up 15% from last year.

Japan's added domestic capacity to manufacture natural cheeses will likely impact Japan's future imports of cheeses in 2008. In addition, the recent elimination of dairy subsidies in the EU, coupled with a strong Euro against the yen, will continue to erode Europe's share of the cheese market. Oceania, the United States and Argentina will continue to make inroads into the market for high-value cheeses, which have long been held by Europe.

## 2007 Situation Summary and Outlook for Fluid Milk, NFDM, Butter and Cheese

Note: Post's PS&D figures from the last semiannual report [JA 7038](#) are revised based on the latest production, trade and stock data available.

### Lower National Fluid Milk Production Forecast for 2007

Japan's milk output in CY 2007 is projected to be 7.99 million MT, down by 2% from last year. This is mainly due to dairy farmers responding to lackluster beverage milk consumption and surplus supplies of dairy commodities. At the same time, farmers have responded to high market prices for F-1 cross breed (Wagyu and Holstein) in the beef market by producing F-1 calves for beef for the last couple of years.

Reflecting lackluster consumption of beverage milk, utilization of fluid milk in 2007 is projected to be 4.515 million MT, down by 3% from last year, which leaves available fluid milk for processing lower than last year, projected down by 0.4% to 3.395 million MT. Thus, post projects Japan's 2007 production of butter at 77,000 MT and NFDM at 175,000 Mt, each down by 3% from last year respectively.

### Solid Demand for Butter Causes the Volume Safeguard to Trigger

Reduced NFDM output has helped to restore the demand and supply balance in 2007, which has long been surplus due to weak ingredient demand. On the other hand, solid household consumption of butter combined with relatively firm sales to the baking sector caused supplies to become short in 2007. In response, Japan has increasingly allocated its current access (CA) to purchase butter and dairy spread (DS) for JFY 2007 (See [JA 7038](#)).

As Japan's total butter imports for JFY 2007 (April 07– March 08) exceeded the CA limit year. Japan has been applying the volume safeguard since November 1<sup>st</sup> for the remainder of the fiscal year (higher duty are applied, but not for CA butter).

As a result, for CY 2008 Japan's butter imports are expected all time high reaching at around 8,000 MT. Meanwhile, soaring international prices for NFDM and butter have been making the domestically produced products price competitive.

### Japan's Cheese Demand to Stay Firm in 2007

Japan's total cheese imports in 2007 are projected to rise modestly, up by 4% from last year to 215,000 MT, 2007 mainly supported by solid household consumption. The U.S. cheeses, which have been aggressively promoted by [USDEC](#), have been doing well. Food service and cheese ingredient use will likely reach all time high of 7,000 MT in 2007.

**Table 1. Japanese Household Consumption of Dairy Commodities**

		Quantity			Expenditure	
	Unit	2007	% Chg.	Unit	2007	
		Jan/Sept			Jan/Sept	
Milk	Liter	98.69	-3.2%	Yen	12,998	-4.3%
Milk Beverages		-	-	Yen	825	6.2%
Yogurt		-	-	Yen	6,011	-1.1%
Lactic Acid Bacteria Drink		-	-	Yen	2,627	17.8%
Powdered Milk	gram	351	-15.4%	Yen	621	-15.2%
Butter	gram	362	-0.3%	Yen	520	5.2%
Cheese	gram	1,749	4.1%	Yen	2,396	5.1%
Ice Cream		-	-	Yen	5,883	5.0%
Coffee Flavor		-	-	Yen	2,728	4.4%

Beverages						
Margarine	gram	1,039	0.8%	Yen	560	-0.5%
Bread	gram	34,230	1.9%	Yen	20,329	2.2%
Source: Ministry of Internal Affairs and Communications						

Table 2. Japanese Utilization of Fluid Milk for Drinking Use Category

Unit: 1,000 Kilo Liters					
	2005	2006	% Chg.	2007	% Chg.
	Jan/Sept	Jan/Sept	Jan/Sept	Jan/Sept	Jan/Sept
Regular Milk	2,875	2,779	-3%	2,697	-3%
Processed Milk	353	338	-4%	331	-2%
Milk Beverages	906	929	3%	985	6%
Fermented Milk	614	636	4%	643	1%
Lactic Acid Bacteria Drinks	133	128	-4%	133	4%
Note: Processed Milk: low fat, high fat, vitamin and mineral fortified, calcium enriched					
Milk Beverages: flavored milk (coffee and fruits flavored)					
Fermented Milk: Yogurt etc.					
Source: Agriculture & Livestock Industry Corporation (ALIC), Ministry of Agriculture Forestry and Fisheries (MAFF)					

Table 3. Japanese Production of Processed Milk Products

Unit: Metric Ton					
	2005	2006	% Chg.	2007	% Chg.
	Jan/Sept	Jan/Sept	Jan/Sept	Jan/Sept	Jan/Sept
Butter	64,452	63,722	-1%	58,868	-8%
Cream	65,383	68,438	5%	74,090	8%
Whole Milk Powder	11,228	11,354	1%	11,100	-2%
Prepared Milk Powder	23,549	22,979	-2%	21,770	-5%
Skim Milk Powder (NFDM)	139,323	138,715	0%	131,936	-5%
Ice Cream (Unit: kilo liter)	88,350	96,348	9%	101,236	5%
Source: ALIC Monthly					

Table 4. Monthly Wholesale Price of Butter and Non Fat Dry Milk

Butter (Yen/Kg.)							
	2004	2005	% Chg.	2006	% Chg.	2007	% Chg.
Jan	962	951	-1%	947	0%	944	0%
Feb	962	951	-1%	947	0%	944	0%
Mar	962	951	-1%	947	0%	944	0%
Apr	958	949	-1%	947	0%	944	0%
May	957	949	-1%	947	0%	944	0%
Jun	953	948	-1%	948	0%	945	0%
July	950	948	0%	950	0%	946	0%
Aug	951	948	0%	943	-1%	950	1%
Sept	950	948	0%	943	-1%	956	1%
Oct	949	947	0%	943	0%		
Nov	951	948	0%	944	0%		

Dec	951	947	0%	944	0%		
NFDM (Yen/25 Kg.)							
	2004	2005	% Chg.	2006	% Chg.	2007	% Chg.
Jan	13,480	13,272	-2%	13,076	-1%	13,004	-1%
Feb	13,480	13,254	-2%	13,071	-1%	13,019	0%
Mar	13,480	13,258	-2%	13,062	-1%	13,019	0%
Apr	13,444	13,254	-1%	13,062	-1%	13,019	0%
May	13,434	13,237	-1%	13,047	-1%	13,019	0%
Jun	13,371	13,233	-1%	13,005	-2%	13,041	0%
July	13,370	13,223	-1%	13,020	-2%	13,049	0%
Aug	13,354	13,197	-1%	13,013	-1%	13,063	0%
Sept	13,353	13,189	-1%	13,010	-1%	13,078	1%
Oct	13,289	13,173	-1%	13,002	-1%		
Nov	13,286	13,078	-2%	13,001	-1%		
Dec	13,278	13,090	-1%	13,007	-1%		
Source: ALIC Monthly							

Table 5. Japanese Cheese Imports (Jan. – Sept.)

Rank	Country	2005	2006	2007	% Change
		Jan/Sept	Jan/Sept	Jan/Sept	- 07/06 - Jan/Sept
0	--World--	155,754	146,868	163,779	12%
1	Australia	70,370	62,253	70,277	13%
2	New Zealand	39,044	39,669	47,155	19%
3	Germany	9,959	8,295	8,054	-3%
4	Argentina	1,608	3,399	6,910	103%
5	Denmark	7,572	7,197	6,816	-5%
6	Netherlands	6,187	6,061	5,669	-6%
7	United States	2,754	3,551	5,290	49%
8	France	5,311	5,459	5,017	-8%
9	Italy	3,823	4,008	4,657	16%
10	Ireland	927	1,387	849	-39%
11	United Kingdom	747	830	705	-15%
12	Belgium	1,885	881	560	-36%
13	Hungary	1,625	1,239	527	-57%
14	Switzerland	414	498	439	-12%
15	Norway	2,920	1,667	363	-78%
16	Others	610	475	492	4%
Source of data: Japan Customs					

Table 6. Japanese Import Price of Cheese 2007 (Jan. – Sept.)

Rank	Country	- / KG - 2005	- / KG - 2006	- / KG - 2007	% Change
		Jan/Sept	Jan/Sept	Jan/Sept	- 07/06 - Jan/Sept
0	--World--	3.45	3.48	3.57	3%
1	Australia	2.86	2.90	2.97	2%
2	New Zealand	2.85	2.88	2.99	4%

3	Germany	3.18	3.11	3.45	11%
4	Argentina	2.70	2.86	2.79	-2%
5	Denmark	4.83	4.71	4.99	6%
6	Netherlands	3.84	3.74	4.04	8%
7	United States	7.72	7.08	6.12	-14%
8	France	7.34	7.17	7.50	5%
9	Italy	9.37	8.79	9.41	7%
10	Ireland	2.97	2.96	3.20	8%
11	United Kingdom	4.27	4.19	4.77	14%
12	Belgium	3.19	3.17	3.50	10%
13	Hungary	3.53	3.35	3.38	1%
14	Switzerland	9.42	9.13	9.55	5%
15	Norway	2.70	2.42	3.15	30%

Source of data: Japan Customs

## Fluid Milk PS&amp;D Table

Japan Dairy, Milk, Fluid										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Cows In Milk	900	900	900	895	890	890	0	0	890	(1000 HEAD)
Cows Milk Production	8134	8134	8138	8090	8050	7990	0	0	8030	(1000 MT)
Other Milk Production	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Production	8134	8134	8138	8090	8050	7990	0	0	8030	(1000 MT)
Other Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	8134	8134	8138	8090	8050	7990	0	0	8030	(1000 MT)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Fluid Use Dom. Consum.	4645	4645	4648	4550	4570	4515	0	0	4485	(1000 MT)
Factory Use Consum.	3408	3408	3408	3460	3400	3395	0	0	3465	(1000 MT)
Feed Use Dom. Consum.	81	81	82	80	80	80	0	0	80	(1000 MT)
Total Dom. Consumption	8134	8134	8138	8090	8050	7990	0	0	8030	(1000 MT)
Total Distribution	8134	8134	8138	8090	8050	7990	0	0	8030	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

(Post estimates are not official USDA data)



## Non-Fat Dry Milk PS&amp;D Table

<b>Japan</b> <b>Dairy, Milk, Nonfat Dry</b>										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Beginning Stocks	77	77	77	64	64	64	64	61	61	(1000 MT)
Production	181	181	181	185	180	175	0	0	180	(1000 MT)
Other Imports	32	32	32	40	32	32	0	0	32	(1000 MT)
Total Imports	32	32	32	40	32	32	0	0	32	(1000 MT)
Total Supply	290	290	290	289	276	271	64	61	273	(1000 MT)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Human Dom. Consumption	201	201	201	195	190	185	0	0	185	(1000 MT)
Other Use, Losses	25	25	25	30	25	25	0	0	25	(1000 MT)
Total Dom. Consumption	226	226	226	225	215	210	0	0	210	(1000 MT)
Total Use	226	226	226	225	215	210	0	0	210	(1000 MT)
Ending Stocks	64	64	64	64	61	61	0	0	63	(1000 MT)
Total Distribution	290	290	290	289	276	271	0	0	273	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

(Post estimates are not official USDA data)

## Butter PS&amp;D Table

Japan Dairy, Butter										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Beginning Stocks	27	27	27	22	22	22	22	21	20	(1000 MT)
Production	80	80	80	82	79	77	0	0	80	(1000 MT)
Other Imports	4	4	4	7	9	9	0	0	8	(1000 MT)
Total Imports	4	4	4	7	9	9	0	0	8	(1000 MT)
Total Supply	111	111	111	111	110	108	22	21	108	(1000 MT)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Domestic Consumption	89	89	89	89	89	88	0	0	88	(1000 MT)
Total Use	89	89	89	89	89	88	0	0	88	(1000 MT)
Ending Stocks	22	22	22	22	21	20	0	0	20	(1000 MT)
Total Distribution	111	111	111	111	110	108	0	0	108	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

(Post estimates are not official USDA data)

## Cheese PS&amp;D Table

Japan Dairy, Cheese										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Beginning Stocks	15	15	15	15	15	15	15	15	15	(1000 MT)
Production	39	40	40	42	41	41	0	0	47	(1000 MT)
Other Imports	207	207	207	205	210	215	0	0	215	(1000 MT)
Total Imports	207	207	207	205	210	215	0	0	215	(1000 MT)
Total Supply	261	262	262	262	266	271	15	15	277	(1000 MT)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Human Dom. Consumption	246	247	247	247	251	256	0	0	262	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	246	247	247	247	251	256	0	0	262	(1000 MT)
Total Use	246	247	247	247	251	256	0	0	262	(1000 MT)
Ending Stocks	15	15	15	15	15	15	0	0	0	(1000 MT)
Total Distribution	261	262	262	262	266	271	0	0	262	(1000 MT)
CY Imp. from U.S.	4	5	5	4	6	7	0	0	9	(1000 MT)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

(Post estimates are not official USDA data)